

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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| In the Matter of: |) | |
| |) | |
| PREMERA BLUE CROSS CONVERSION |) | |
| |) | |
| R 03-07 |) | Order No. 14 - Regarding |
| |) | Motion for Reconsideration |
| |) | |
| |) | |

On March 4, 2004, University of Alaska (UA), Anchorage Neighborhood Health Center (ANHC), and United Way of Anchorage (referred to collectively as "Applicant-Intervenors") filed a motion with the director seeking reconsideration of Order No. 3 denying intervention to the Applicant-Intervenors. This motion is based on statements by division of insurance (division) consultants in initial and supplemental reports regarding possible rate increases following conversion of Premera Blue Cross (PBC) from a non-profit hospital medical service corporation to a for-profit health insurer. PBC and division staff separately opposed the motion for reconsideration. On March 24, 2004, the Applicant-Intervenors filed a reply to PBC's and the division's opposition briefs.

In reviewing the memoranda of the Applicant-Intervenors, I am still not persuaded that the standard for intervention under AS 21.06.210 is met by possible or even probable future rate increases that may be attributable to PBC's for-profit status. For the phrase "direct and immediate" to have meaning under AS 21.06.210, there needs to be a very close causal connection between the order on the proposed conversion and an immediate impact on the Applicant-Intervenors' pecuniary interests. I do not see how downstream rate increases that have yet to be proposed and that may or may not be attributable to PBC's for-profit status meet the standard of "direct and immediate" even if the interest asserted is one of a subscriber or enrollee in a PBC health insurance plan, such as the interests of ANHC and UA.

Without getting into the merits of the proposed transaction, which I believe is inappropriate at this juncture, I cannot conclude that rate increases are probable or even inevitable. Even if I accept for the purposes of argument that an order approving the conversion will directly affect pecuniary interests of the Applicant-Intervenors as PBC subscribers or enrollees, I do not see it as immediate. There is no claim that upon entry of the order existing subscriber contracts and rates currently established under those contracts will be changed. Rather, the claim is that at some point in the future when such contracts are renewed or renegotiated PBC will implement new rates. This is a future effect not an immediate effect and, in any event, may or may not be attributable to PBC's for-profit status should the conversion be approved.

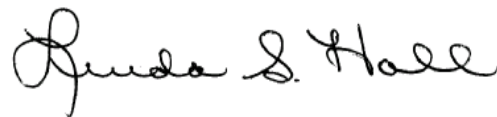
While the pecuniary interest of a subscriber or enrollee may present a close question, the interest of United Way does not. United Way claims its pecuniary interest will be directly and immediately affected by the director's order in this matter based on a series of events that may or may not take place or be attributable to an order approving the proposed conversion. These events include: an increase in rates by PBC because of its for-profit status; an increase in the number of uninsured Alaskans because of the rate increases; United Way partner agencies needing more funds because of the increase in uninsured Alaskans in order to maintain the level of healthcare services they currently provide; and United Way receiving increased requests for funds from partner agencies and other community members. The claimed impact on United Way's interest is speculative and otherwise contingent on the occurrence of events other than the director's order. Accordingly, I do not think it is reasonable to conclude such interests will be directly and immediately affected by an order regarding the conversion. Similarly, ANHC's interest based on an increased demand for services by uninsured persons also is speculative and contingent on events other than the order on conversion. At most, the Applicant-Intervenors in this regard have shown only an indirect effect on a pecuniary interest.

I have reviewed *Consumers Union v. State of New York*, N.Y.L.J., vol. 229, p. 18, col.2 (March 12, 2003) and *Blue Cross and Blue Shield of Alabama v. Protective Life Insurance Co.*, 527 So.2d 125 (Ala. App. 1987), cited by the Applicant-Intervenors to support their position. However, neither case is controlling here. I also believe the cases are distinguishable in law and in fact from the question of intervention presented in this matter.

By concluding that Applicant-Intervenors have not met the standard for intervention, I do not intend to diminish the importance of considering the possible or probable future impacts arising from the proposed conversion. Indeed, the division must consider these impacts in completing its review of PBC Form A application under AS 21.22.

THEREFORE, IT IS HEREBY ORDERED:

The Applicant-Intervenors' motion for reconsideration of Order No. 3 is DENIED.



Dated: April 30, 2004

Linda S. Hall
Director